1975 annual report

GROSS REVENUE

AMALGAMATED
Bonanza Petroleums Ltd.
and subsidiary companies

HEAD OFFICE
1800, 444 - 5th Ave. S.W.
Calgary, Alberta

EXPLORATION OFFICE
2055 South Gessner
Houston, Texas

SUBSIDIARY COMPANIES
Bishop Minerals Ltd.
Bonanza Exploration Ltd.
Bonanza Resources, Inc.

TRANSFER AGENT
Montreal Trust Company

BANKERS
Canadian Imperial Bank of Commerce
First City National Bank of Houston

AUDITORS
Thorne Riddell & Co.

SOLICITORS
Macleod Dixon, Calgary
Vinson, Elkins, Searls, Connally & Smith, Houston

STOCK EXCHANGE LISTING
Toronto Stock Exchange
(Trading Symbol ABN)

DIRECTORS AND OFFICERS
David G. Ferguson
Chairman of the Board and Director
Calgary, Alberta

John J. Fleming
President and Director
Calgary, Alberta

William A. Bell
Vice President and Director
Calgary, Alberta

Seymour Schulich
Director
Montreal, Quebec

Harry B. Wheeler
Vice President - Foreign Exploration
Calgary, Alberta

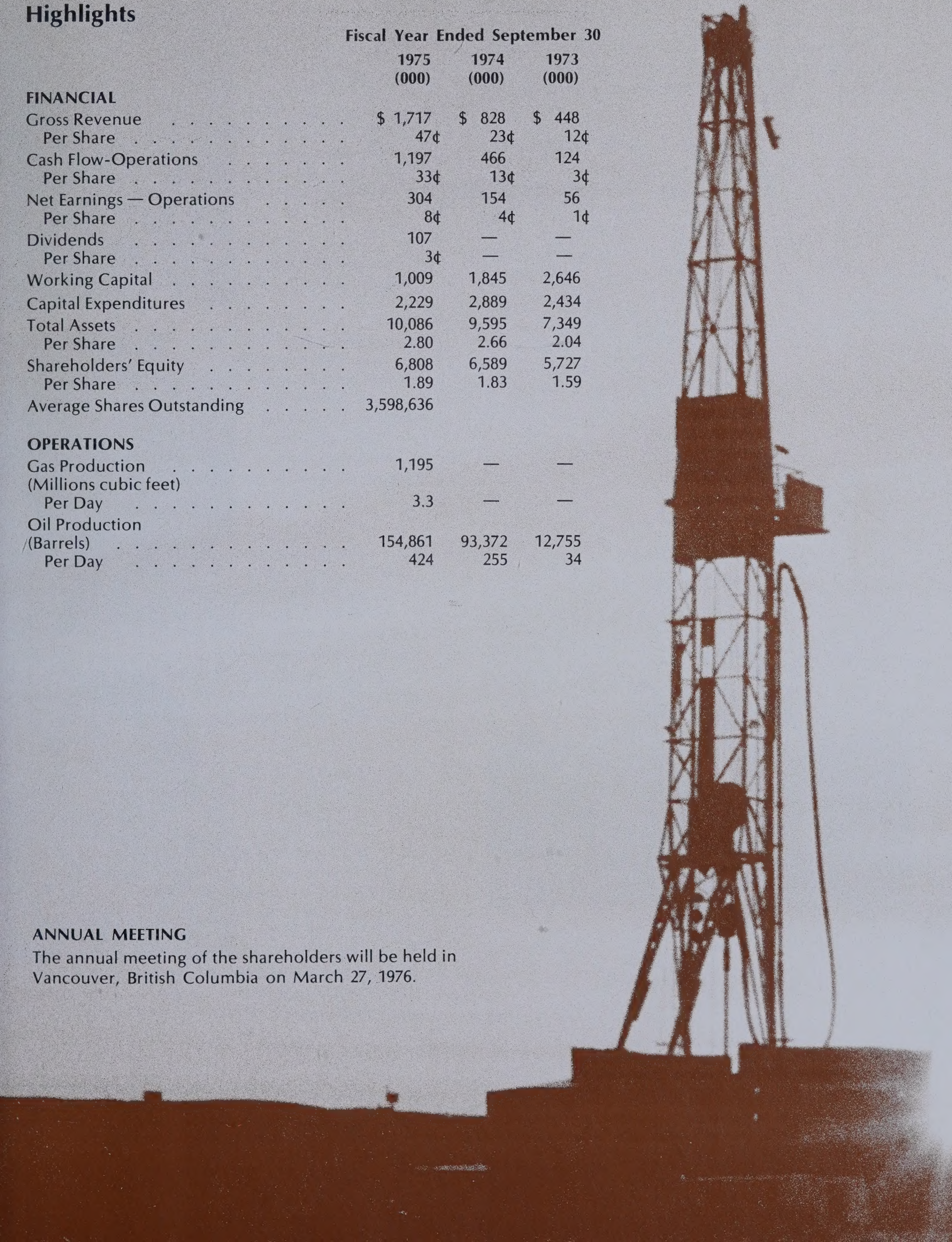
Donald L. Hall
Manager - U.S. Operations
Houston, Texas

Highlights

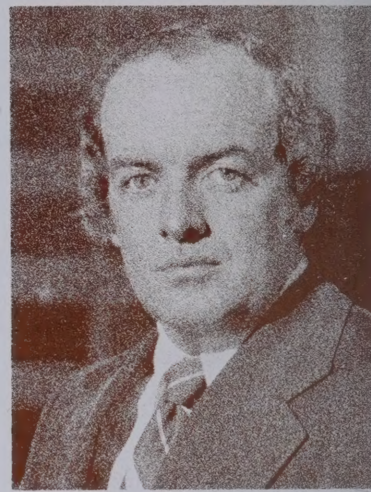
	Fiscal Year Ended September 30		
	1975 (000)	1974 (000)	1973 (000)
FINANCIAL			
Gross Revenue	$ 1,717	$ 828	$ 448
Per Share	47¢	23¢	12¢
Cash Flow-Operations	1,197	466	124
Per Share	33¢	13¢	3¢
Net Earnings — Operations	304	154	56
Per Share	8¢	4¢	1¢
Dividends	107	—	—
Per Share	3¢	—	—
Working Capital	1,009	1,845	2,646
Capital Expenditures	2,229	2,889	2,434
Total Assets	10,086	9,595	7,349
Per Share	2.80	2.66	2.04
Shareholders' Equity	6,808	6,589	5,727
Per Share	1.89	1.83	1.59
Average Shares Outstanding	3,598,636		
OPERATIONS			
Gas Production (Millions cubic feet)	1,195	—	—
Per Day	3.3	—	—
Oil Production (Barrels)	154,861	93,372	12,755
Per Day	424	255	34

ANNUAL MEETING

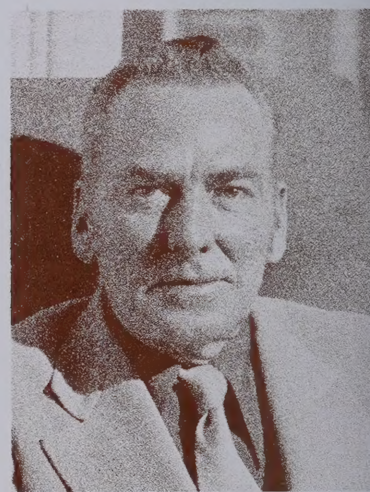
The annual meeting of the shareholders will be held in Vancouver, British Columbia on March 27, 1976.



To The Shareholders



John J. Fleming
President



David G. Ferguson
Chairman of the Board

William A. Bell
Vice President

It has been the company's stated policy over the past three years to concentrate on low risk exploration and develop cash flow to the point where the company could become involved in higher risk — higher potential exploratory ventures. It has also been the company's stated policy to allocate its exploration effort equally between Canada and the United States and in so doing hedge against the uncertain royalty and taxation legislation in Canada, and take advantage of the higher oil and gas prices and easier marketability existing in the United States.

The above two short term objectives have been accomplished and the company has now developed significant cash flow in both Canada and the United States.

The royalty and income tax legislation on both the Federal and Provincial levels in Canada, which was uncertain and confusing in the past, has been clarified during the past year. Although such provisions are more onorous than in prior years, the recently enacted Alberta Exploration Incentive Program, which is of particular interest to smaller exploration companies, has made Alberta an attractive area in which to conduct oil and gas exploration activities.

During the year the company was successful in arranging substantial drilling funds from certain German investors. These funds which will be available through 1976 enable the company to participate in a greater number of exploratory ventures than would other wise be the case, and at the same time continue to develop and put on stream other proven oil and gas properties. By utilizing these funds, the company reduces its financial exposure in unsuccessful ventures and at the same time reduces its exploration and administrative overhead.

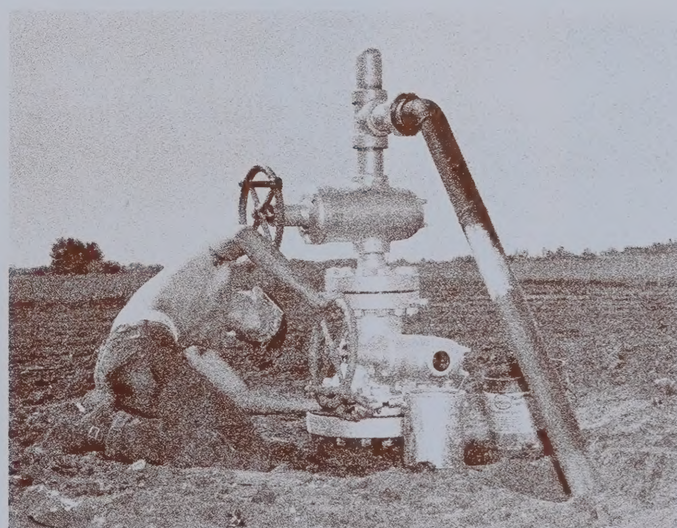
Subsequent to September 30, 1975 the company sold certain non-producing petroleum and natural gas leases to Dome Petroleum Ltd. for a net cash consideration of $3,123,000. Such properties represented less than 10% of the company's gas reserves. The above mentioned proceeds on sale of properties, working capital at September 30, 1975 in excess of $1 million, cash flow now approaching $2 million per year and access to exploratory drilling funds provides the company with the financial strength and flexibility to continue to increase its reserves of oil and gas in both Canada and United States through the efforts of its aggressive and proven management team.

Such increase, together with predicted price increases for both oil and gas, which we believe will accrue primarily to the producer, will serve to materially increase the value of the assets underlying your shares of Amalgamated Bonanza Petroleum Ltd.

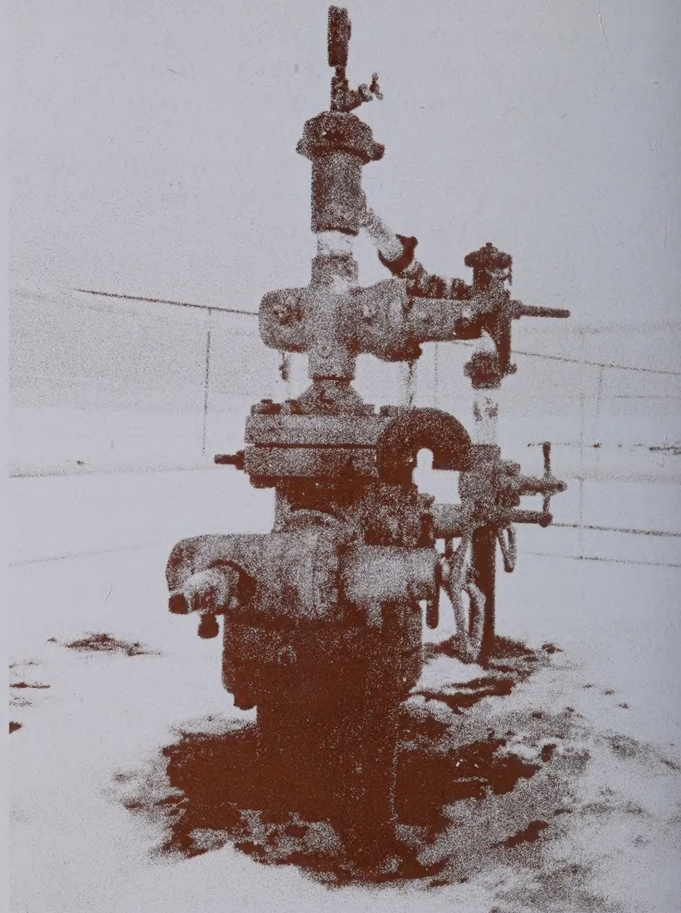
Submitted on Behalf of the Board

J. Fleming

John J. Fleming
President



Drilling, Exploration and Development



Area	Plant Size	On Stream Date — 1976	Net Interest To Bonanza
	mmcf/day		mmcf/day
Provost	3.0	May 1	1.5
Bashaw	12.0	July 1	1.6
Bantry	1.5	May 1	.3
Lake Newell	8.0	Jan. 1	.3
Turin	3.0	July 1	.5
Wintering Hills	3.0	Nov. 1	.8
Rosemary	2.5	Jan. 1	.3

*MMCF — million cubic feet

During the year ended September 30, 1975 the Company participated in the drilling of 38 wells resulting in 4 oil wells, 20 gas wells and 14 dry holes. Additional reserves of oil and gas were proven at Virginia Hills, Long Coulee, Bashaw, Lake Newell and Turin in Alberta.

In addition, the company participated in the drilling of 6 wells in the Countess - Lake Newell area with Cardo Canada Ltd. The company has now earned varying interests in approximately 200,000 acres in South East Alberta by participating in this program.

The company drilled three wells in the Vulcan - Lake MacGregor area and by so doing has earned varying interests in approximately 8,000 acres of land. It is expected that further drilling will take place during 1976 on these lands which are in close proximity to the Long Coulee lands recently sold by the company for a cash consideration of $3,123,000.

Virginia Hills

During 1975 the company participated in the drilling of 3 successful oil wells following the initial well drilled in 1974. The four wells are now connected to the Federated Pipeline System and are producing at the combined rate of 400 barrels per day. Two additional wells will be drilled during early 1976 to further develop this extension to the prolific Virginia Hills oilfield. The company has interests varying from 13% to 25% in the project.

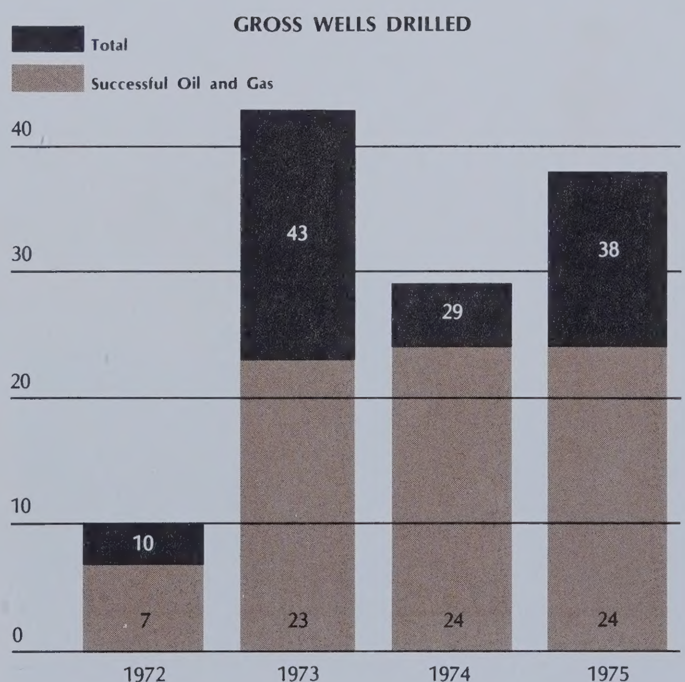
Hatton

During the year, a gas plant and pipeline facilities were completed in the development of approximately 25% of the 18,000 acres owned in this Saskatchewan project. Gas deliveries commenced during January 1975 and are continuing at the rate of 8.5 million cubic feet per day. The company's interest in this project is 45%. It is hoped that some price increase or drilling incentive program or both will be enacted by the Saskatchewan government during the near future that will enable the company to develop the balance of the lands owned in this area.

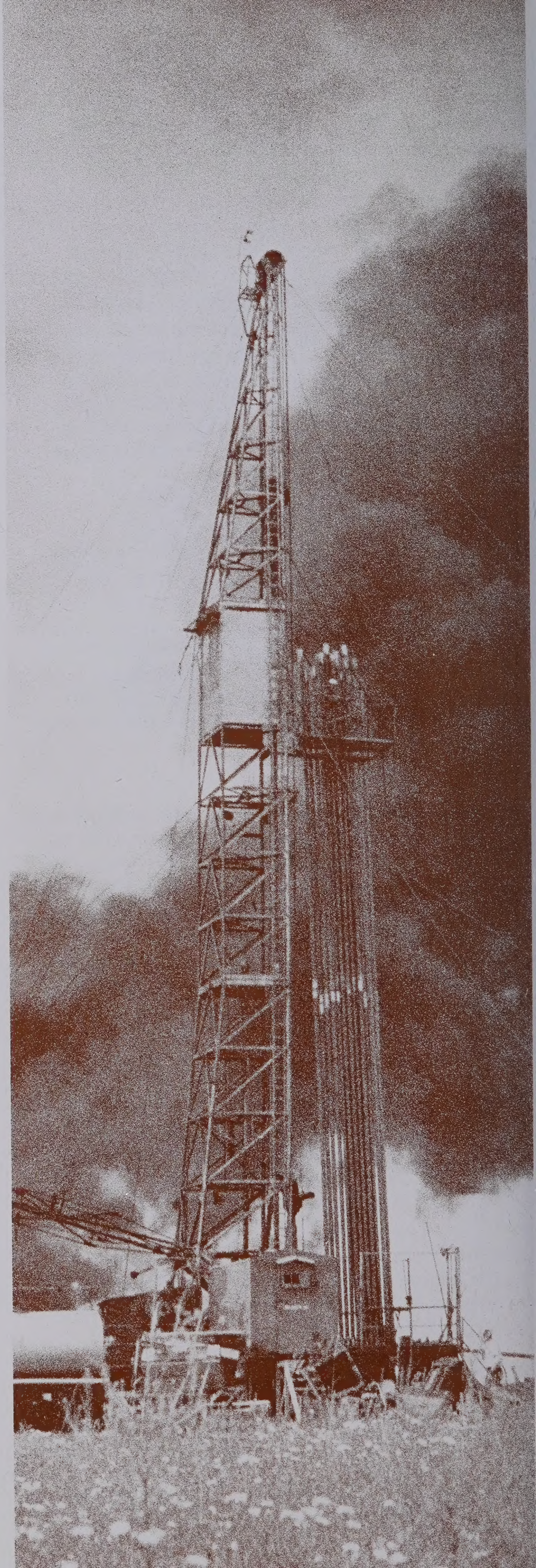
Other Alberta Projects

During the early part of 1976 development drilling will be completed and construction of gas plant and pipeline facilities will enable the company to commence gas production as set out in the adjacent table.

Cash flow from these projects will be realized to a limited degree during the company's fiscal year ended September 30, 1976 and the full impact will be evident during the following fiscal year.



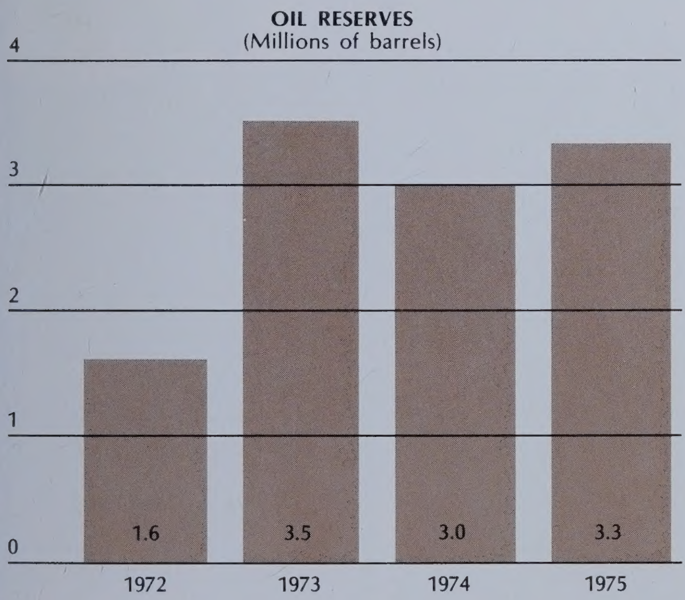
Reserves and Production

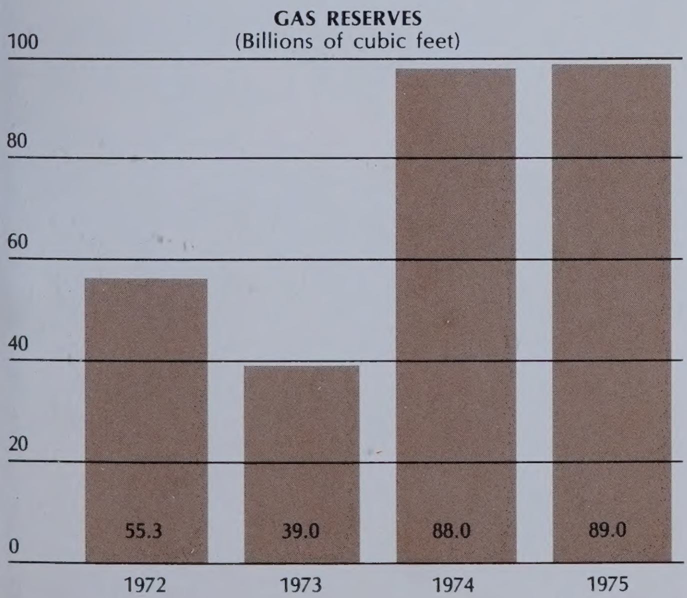


The proven and probable reserves of oil and gas owned by the company as of September 30, 1975 totalled 3,300,000 barrels of oil and 89 billion cubic feet of natural gas. Such reserves represent the company's net share before provincial royalties but after all state royalties and other gross overriding royalties. The gas reserves and two thirds of the oil reserves are located in Canada and the balance of the oil reserves are located in South Louisiana.

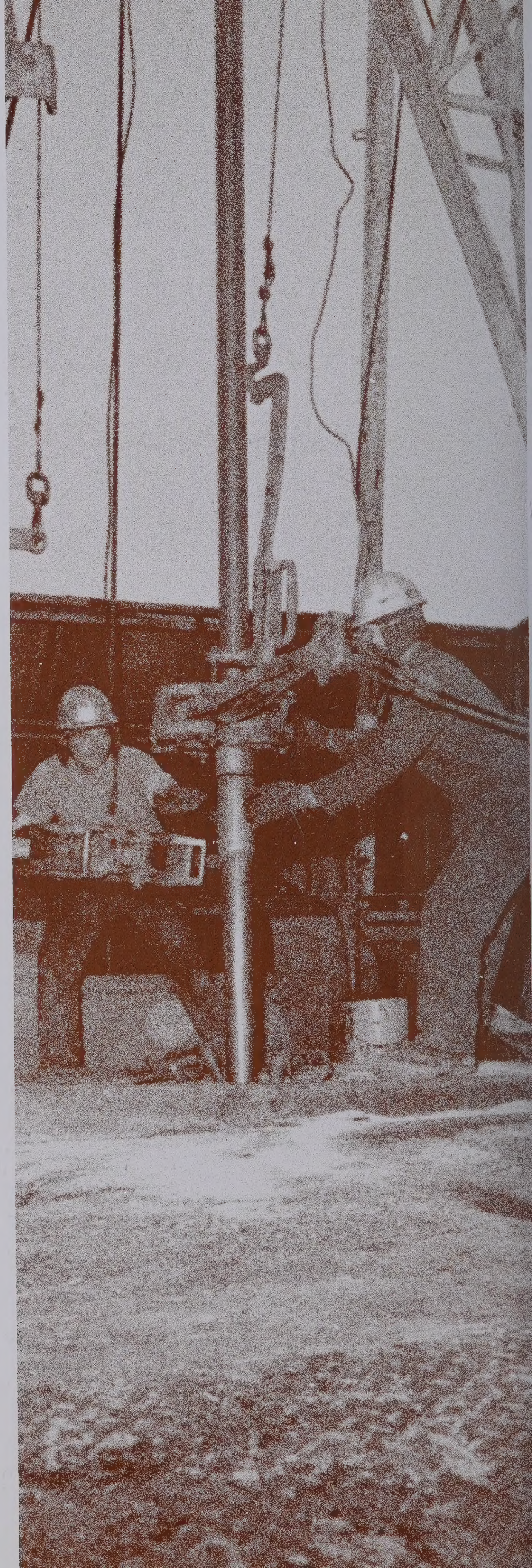
The company is presently producing 520 barrels of oil per day from Bellshill Lake, Virginia Hills, Wintering Hills and Pembina in Alberta and St. Martinville in Louisiana and 5 million cubic feet of natural gas per day from Lake Newell and Hatton in Canada and St. Martinville in Louisiana.

Gas plant and pipeline facilities will be completed during 1976 covering proven gas reserves in six additional areas of Alberta. Daily gas production will increase by approximately 5.3 million cubic feet per day when such facilities are completed by mid 1976.





Land Holdings



Foreign Exploration

The company's high level of drilling activity during the past two years has enabled it to earn a substantial amount of land — particularly in the Southern part of Alberta. These lands now represent an asset of considerable value to the company as is evidenced by the large prices that similar lands have demanded at lands sales held during the past few months. The company's sizeable inventory of lands will be exposed to a number of wells to be drilled by the company during 1976. These include a minimum of 15 wells in Alberta, 2 in Saskatchewan, 3 in New York, 2 in Wyoming, 4 in Texas and 3 in Louisiana.

	ACRES	
	GROSS	NET
Leases and rights		
British Columbia	15,960	909
Alberta	256,781	53,240
Saskatchewan	18,038	8,117
New York	7,000	3,600
Wyoming	12,100	3,630
Texas	16,500	10,446
Louisiana	5,571	3,938
Royalties	485,808	21,194

During 1975 the company decided to restrict its exploration activities to Canada and the United States and in so doing concentrate on projects that if successful could be on stream in a relatively short period of time. Political unrest, high costs and increasingly onerous terms have made this long-term type of exploration project relatively unattractive, and coincidentally, difficult to finance.

The company continues to hold various interests in Turkey, Greece, England, Philippines and Guatamala, but it is our intention to convert any position to carried working or royalty interests. Until the overseas environment for foreign petroleum ventures improve, the company will not become involved in any major foreign financial obligations.

Financial

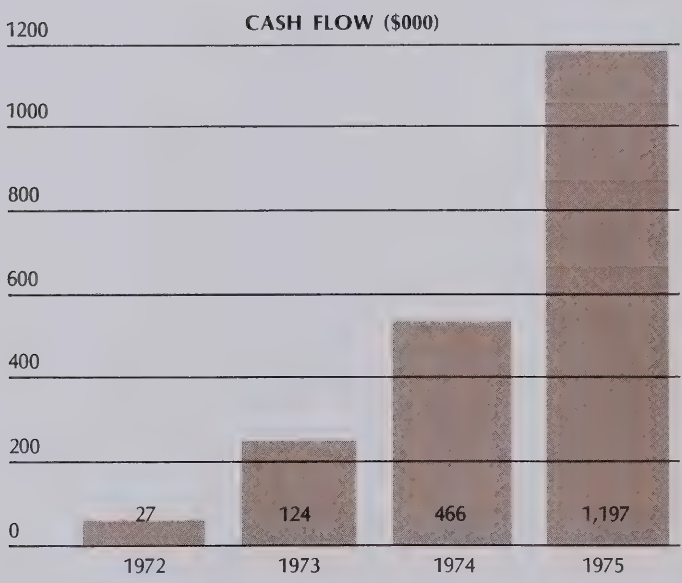
During the year ended September 30, 1975 cash flow from operations was $1,197,045 (33¢ per share) as compared to $465,670 (13¢ per share) in the prior year. Net earnings from re-curring operations totalled $304,576 (8¢ per share) as compared to $154,983 (4¢ per share) in the prior year.

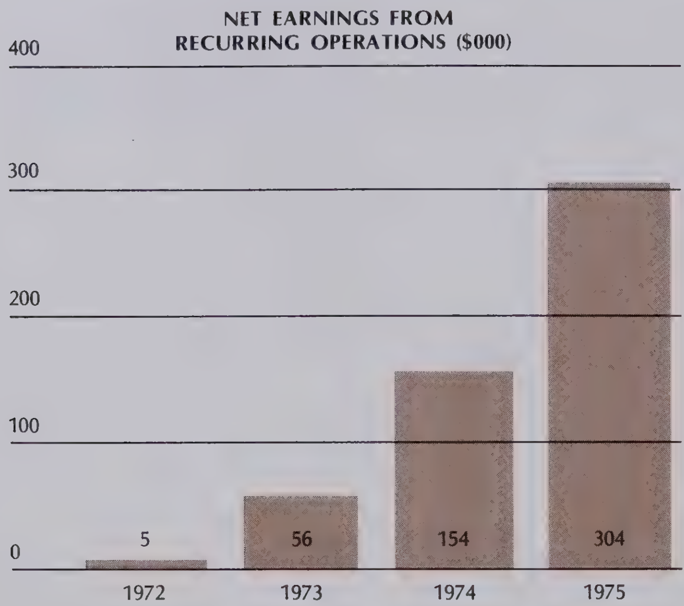
The gain on sale of Lind Ranches Ltd. ($189,672) and the loss on operations arising on the liquidation of cattle ($167,687) have been disclosed separately on the income statement on the insistence of the company's auditors. Management believes that more informative disclosure would be to consider the two items together as a net gain of $21,985 on the liquidation of the company's interest in Lind Ranches Ltd. The liquidation of Lind Ranches Ltd. for a net after tax cash consideration of $601,794 was concluded to enable the management of the company to concentrate exclusively on the oil and gas business as well as to place additional funds in the company for further development of existing oil and gas reserves.

Subsequent to September 30, 1975 the company sold certain non-producing petroleum and natural gas properties in the Long Coulee area of South East Alberta for a total cash consideration of $3,123,000. This transaction, representing less than 10% of the company's gas reserves will increase the company's net after tax earnings for the year ended September 30, 1976 by $1,600,000 or 44¢ per share.

The company's working capital after giving effect to the aforementioned sale of properties is approximately $4,000,000 which will provide adequate funds to complete the substantial development program presently underway and at the same time continue to aggressively explore for new reserves of oil and gas.

During the year the company declared and paid an initial dividend of 3¢ per share. It is the company's intention to pay dividends on a regular annual basis.





Consolidated Statement of Earnings

For The Year Ended September 30, 1975

	1975	1974
REVENUE		
Oil and gas operations	$1,586,506	$618,946
Interest and other income	130,933	208,881
	1,717,439	827,827
EXPENSES		
Oil and gas operations	166,656	60,904
General and administrative	219,669	231,274
Interest	134,069	69,979
	520,394	362,157
FUNDS GENERATED FROM CONTINUING OPERATIONS	1,197,045	465,670
CHARGES NOT REQUIRING FUNDS		
Depletion and depreciation	463,884	188,187
Non-productive foreign exploration	147,085	—
Deferred income taxes	281,500	122,500
	892,469	310,687
EARNINGS FROM CONTINUING OPERATIONS	304,576	154,983
Earnings (loss) from discontinued operations (note 2)	(167,687)	19,100
EARNINGS BEFORE EXTRAORDINARY ITEM	136,889	174,083
Gain on sale of Lind Ranches Limited, net of applicable income taxes of $57,900 (note 2)	189,672	—
NET EARNINGS	$ 326,561	$174,083
PER SHARE		
Funds generated from continuing operations	$.33	$.13
Earnings from continuing operations	$.08	$.04
Earnings before extraordinary item	$.04	$.05
Net earnings	$.09	$.05

Consolidated Balance Sheet — September 30, 1975

ASSETS		1975	1974
CURRENT ASSETS			
Cash		$ —	$ 619,167
Short-term investments, at cost which approximates market		800,000	1,000,000
Accounts receivable		1,006,919	442,080
Dividend receivable — Lind Ranches Limited (note 2)		75,000	—
Inventory of supplies, at lower of cost and net realizable value		415,320	448,987
Cattle inventory, at estimated market value (note 2)		—	400,010
		2,297,239	2,910,244
FIXED ASSETS			
Petroleum, natural gas and mineral leases and rights together with exploration, development and equipment thereon, at cost (notes 1, 3 and 6)	$8,480,376		
Accumulated depletion and depreciation	690,624	7,789,752	6,247,781
Ranch land, at cost (note 2)		—	342,519
		7,789,752	6,590,300
		$10,086,991	$9,500,544

Approved by the Board:

JOHN J. FLEMING, Director

DAVID G. FERGUSON, Director

LIABILITIES	1975	1974
CURRENT LIABILITIES		
Bank indebtedness	$ 478,189	$ 169,468
Accounts payable and accrued charges	809,538	849,862
Deferred income taxes	—	45,600
	1,287,727	1,064,930
DEFERRED GAS REVENUE	218,736	88,664
LONG-TERM DEBT (note 4)	1,200,000	1,466,524
DEFERRED INCOME TAXES (note 1)	572,400	290,900

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)		
Authorized		
6,000,000 common shares of no par value		
Issued		
3,598,636 shares	4,083,430	4,083,430
RETAINED EARNINGS	2,724,698	2,506,096
	6,808,128	6,589,526
	$10,086,991	$9,500,544

Consolidated Statement of Changes in Financial Position

Year Ended September 30, 1975

	1975	1974
SOURCE OF FUNDS		
From continuing operations	$1,197,045	$ 465,670
Sale of Lind Ranches Limited, net	601,794	—
Deferred gas revenue	130,072	88,664
Proceeds on sale of shares in subsidiary company	—	435,137
	1,928,911	989,471
APPLICATION OF FUNDS		
In discontinued operations	160,270	(46,709)
Fixed assets	2,229,960	2,889,032
Long-term debt, net	266,524	(1,102,490)
Dividends	107,959	—
	2,764,713	1,739,833
DECREASE IN WORKING CAPITAL	835,802	750,362
Working capital at beginning of year	1,845,314	2,595,676
WORKING CAPITAL AT END OF YEAR	$1,009,512	$1,845,314

Consolidated Statement of Retained Earnings

Year Ended September 30, 1975

	1975	1974
BALANCE AT BEGINNING OF YEAR	$2,506,096	$2,332,013
Net earnings	326,561	174,083
	2,832,657	2,506,096
Dividends	107,959	—
BALANCE AT END OF YEAR	$2,724,698	$2,506,096

Notes to Consolidated Financial Statements

Year Ended September 30, 1975

NOTE 1 ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Bishop Minerals Ltd. and Lind Ranches Limited (the latter to the date of disposition as of September 30, 1975 — see note 2).

b) Oil and Gas Properties

The companies follow the full cost method of accounting for costs related to the exploration and development of petroleum and natural gas properties. Such costs are accumulated on an area of interest basis and are amortized on the unit of production method based on estimated recoverable oil and gas reserves in each area or are written off to income if exploration activities in any area are determined to be unsuccessful.

c) Income Taxes

The companies follow the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the companies provide for deferred income taxes to the extent that income taxes otherwise payable are eliminated by claiming capital cost allowances and exploration and development costs in excess of the depreciation and depletion provisions reflected in their accounts.

NOTE 2 DISCONTINUED OPERATIONS

As of September 30, 1975, the company had sold its investment in Lind Ranches Limited (Lind). The operating results of Lind have been segregated from the continuing operations of the company and are shown in the consolidated statement of earnings as "Earnings (Loss) From Discontinued Operations"; the gain resulting from the sale of Lind has been shown as an extraordinary item. The operating results are summarized as follows:

	1975	1974
Earnings (loss) from cattle operations	$(257,433)	$ 44,770
Other income	14,632	17,165
Interest	(22,445)	(20,626)
Depreciation	(5,941)	(7,209)
Earnings (loss) before income taxes	(271,187)	34,100
Income taxes (recovery)	(103,500)	15,000
Net earnings (loss)	$(167,687)	$ 19,100

NOTE 3 DRILLING FUND

During the year the company sold to certain drilling fund partnerships represented by Prodeco Oil and Gas Ltd., interests in certain undeveloped oil and gas properties for $2.7 million. This amount is receivable only from future production (if any) from such properties and, accordingly, will be appropriately reflected in the company's accounts if and when such properties commence production.

NOTE 4 LONG-TERM DEBT

	1975	1974
Bank production loans, including U.S. $320,000	$1,200,000	$1,405,237
7% mortgage, due in 1977, secured by land and repayable in annual instalments of $24,900, including interest	—	80,547
	1,200,000	1,485,784
Current maturities, included in accounts payable	—	19,260
	$1,200,000	$1,466,524

The bank production loans are evidenced by demand promissory notes and are secured by petroleum and natural gas properties. The loans are repayable out of future production proceeds and, accordingly, are not expected to require the use of existing working captial; therefore, no portion of the loans have been reclassified to current liabilities.

The estimated amount of long-term debt repayments for the five years subsequent to September 30, 1975 are as follows: 1976 — $550,000; 1977 — $225,000; 1978 — $225,000; 1979 — $175,000; 1980 — $25,000.

NOTE 5 STOCK OPTIONS

As of September 30, 1975, options are outstanding which enable officers and key employees to purchase 44,000 common shares at prices ranging from $2.62 to $3.44 per share, exercisable from time to time to April, 1979, and 50,000 shares at $2.00 per share, exercisable from time to time to January, 1981. Other options are outstanding enabling the holder to purchase 150,000 shares at $2.25 per share exercisable to December 31, 1976.

NOTE 6 SUBSEQUENT EVENT

Subsequent to September 30, 1975 the company sold certain petroleum and natural gas properties for $2,680,000 cash.

NOTE 7 DIRECTORS' AND SENIOR OFFICERS' REMUNERATION

Remuneration to directors and senior officers (including the five highest paid employees) of the company for the year ended September 30, 1975 amounted to $176,600.

AUDITORS' REPORT

To the Shareholders of
Amalgamated Bonanza Petroleum Ltd.

We have examined the consolidated balance sheet of Amalgamated Bonanza Petroleum Ltd. and its subsidiaries as at September 30, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
December 23, 1975

THORNE RIDDELL & CO.
Chartered Accountants

AMALGAMATED
Bonanza Petroleums Ltd.
and subsidiary companies